

# House File 219 - Introduced

HOUSE FILE 219

BY J. TAYLOR

## A BILL FOR

1 An Act prohibiting the use of credit information to underwrite  
2 or rate risks for private passenger automobile insurance,  
3 providing penalties, and including effective and  
4 applicability date provisions.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 507B.4, Code 2011, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 13A. *Use of credit information for private*  
4 *passenger automobile insurance.* Any violation of section  
5 515.103, subsection 2A.

6 Sec. 2. Section 515.103, subsection 1, paragraph j, Code  
7 2011, is amended to read as follows:

8 *j. "Personal insurance" means personal insurance and not*  
9 *commercial insurance and is limited to private-passenger*  
10 *automobile, homeowners, farm owners, personal farm liability,*  
11 *motorcycle, mobile home owners, noncommercial dwelling fire,*  
12 *boat, personal watercraft, snowmobile, and recreational vehicle*  
13 *insurance policies, that are individually underwritten for*  
14 *personal, family, farm, or household use. No other type of*  
15 *insurance is included as personal insurance for the purposes of*  
16 *this section.*

17 Sec. 3. Section 515.103, Code 2011, is amended by adding the  
18 following new subsection:

19 NEW SUBSECTION. 2A. *Private passenger automobile insurance*  
20 *— use of credit information prohibited.*

21 *a.* An insurer authorized to do business in Iowa shall not  
22 use credit information to underwrite or rate risks for private  
23 passenger automobile insurance that is personal insurance and  
24 not commercial insurance and that is limited to such insurance  
25 policies that are individually underwritten for personal,  
26 family, farm, or household use. This prohibition includes but  
27 is not limited to doing any of the following:

28 (1) Using an insurance score.

29 (2) Denying issuance, canceling, or refusing to renew a  
30 policy of private passenger automobile insurance based on any  
31 consideration of credit information.

32 (3) Basing a consumer's renewal rates for private  
33 passenger automobile insurance on any consideration of credit  
34 information.

35 (4) Taking adverse action against a consumer based on any

1 consideration of the fact that the consumer does not have a  
2 credit card account.

3 (5) Considering an absence of credit information or an  
4 inability to calculate an insurance score in underwriting or  
5 rating private passenger automobile insurance.

6 (6) Taking adverse action against a consumer based on credit  
7 information.

8 (7) Using any of the following as a negative factor in any  
9 methodology used for the purpose of underwriting or rating a  
10 private passenger automobile insurance policy:

11 (a) Credit inquiries not initiated by the consumer or  
12 inquiries requested by the consumer for the consumer's own  
13 credit information.

14 (b) Inquiries relating to insurance coverage, if so  
15 identified on a consumer's credit report.

16 (c) Collection accounts with a medical industry code, if so  
17 identified on a consumer's credit report.

18 (d) Multiple lender inquiries, if coded by a consumer  
19 reporting agency on the consumer's credit report as being from  
20 the home mortgage industry and made within thirty days of one  
21 another, unless only one inquiry is considered.

22 (e) Multiple lender inquiries, if coded by a consumer  
23 reporting agency on the consumer's credit report as being from  
24 the automobile lending industry and made within thirty days of  
25 one another, unless only one inquiry is considered.

26 *b.* A violation of this subsection is an unfair or deceptive  
27 act or practice in the business of insurance as provided in  
28 chapter 507B.

29 Sec. 4. EFFECTIVE DATE AND APPLICABILITY. This Act takes  
30 effect October 1, 2011, and applies to private passenger  
31 automobile insurance policies delivered, issued for delivery,  
32 continued, or renewed in this state on or after that date.

33 EXPLANATION

34 This bill prohibits the use of credit information to  
35 underwrite or rate risks for private passenger automobile

1 insurance that is personal insurance and not commercial  
2 insurance and that is individually underwritten for personal,  
3 family, farm, or household use. For the purposes of the bill,  
4 "credit information" means any information related to credit  
5 that is contained in or derived from a credit report, or  
6 provided in an application for personal insurance. Information  
7 that is not related to credit is not considered "credit  
8 information" regardless of whether the information is contained  
9 in or derived from a credit report or an application for credit  
10 or is used to calculate an insurance score.

11 The bill provides that credit information cannot be used  
12 to underwrite or rate risks for private passenger automobile  
13 insurance, including but not limited to using an insurance  
14 score; denying issuance, canceling, or refusing to renew such  
15 insurance based on credit information; basing renewal rates on  
16 credit information; taking adverse action against a consumer  
17 based on the fact that the consumer has no credit card account;  
18 considering an absence of credit information; taking adverse  
19 action against a consumer based on credit information; and  
20 using certain information contained in a credit report as a  
21 negative factor in any methodology for underwriting or rating  
22 risks.

23 A violation of the provisions of the bill is an unfair or  
24 deceptive act or practice in the business of insurance as  
25 provided in Code chapter 507B and the proceedings, orders, and  
26 penalties contained in Code chapter 507B are applicable to  
27 violations of the provisions of the bill.

28 The bill takes effect October 1, 2011, and is applicable  
29 to private passenger automobile insurance policies delivered,  
30 issued for delivery, continued, or renewed in this state on or  
31 after that date.

32 Currently, credit information can be used by an insurer  
33 to underwrite or rate risks for private passenger automobile  
34 insurance under certain specified circumstances contained in  
35 Code section 515.103(2).